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Secretary
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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

MM Docket 92-266

8 AUG 1993

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Honorable Tim Holden
House of Representatives
1421 Longworth House Office Building
Washington, DC 20515

Dear Congressman Holden:

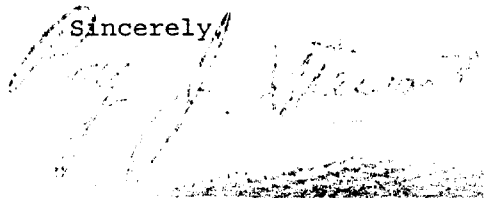
Thank you for your letter concerning the effect of the new cable regulations on small cable operators.

On August 10, 1993, the Commission granted a temporary stay of the rate regulations for small systems with 1,000 or fewer subscribers (see enclosure) and initiated a Further Notice of Proposed Rule Making to examine the burdens on small cable systems. Your comments will be placed in the record of this proceeding.

As to your question regarding the customer service obligations of small cable systems, the specific issue of office locations is pending in our reconsideration of those rules and your comments will be made a part of that record as well (MM Docket No. 92-263). We can clarify, however, that there is no FCC requirement to maintain an office in each service area community. The relevant provision of our rules, 47 C.F.R. § 76.309(4)(c)(v), setting up a federal standard that local franchising authorities may exceed if they wish, requires only that a "customer service center" and "bill payment locations" be "conveniently located." A customer service center could be an equipment drop-off location open at least during normal business hours; a bill payment location could be a mail receptacle. A franchising authority may, however, in its discretion, require a cable operator to maintain an office in the service area community.

I assure you that your comments will be carefully weighed in our reconsideration proceedings.

Sincerely,



Roy J. Stewart
Chief, Mass Media Bureau

Enclosure

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CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES

July 21, 1993

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2970

The Honorable James H. Quello
Chairman
Federal Communications Commission
1919 M Street, N.W., Room 802
Washington, D.C. 20554

Dear Chairman Quello:

Following up your statements regarding the plight of small operators in complying with the 1992 Cable Act, I write to urge the Commission to take actions to alleviate unnecessary burdens on these operators. Based upon information provided by the Small Cable Business Association, Community Antenna Television Association, Coalition of Small System Operators, and National Cable Television Association, I believe that failing to act will seriously hinder the ability of small cable systems to provide quality service to subscribers.

The Commission recognizes that Section 623(i) of the Act "requires the Commission develop and prescribe cable rate regulations that reduce the administrative burdens and cost of compliance for cable systems that have 1,000 or fewer subscribers." Moreover, the public interest standard authorizes exceptions to the general rule where justified. I commend your public commitment to work to alleviate small system burdens. I urge the Commission:

- To permit small operators to justify their current rates based on a simplified net income analysis. A simple comparison of total revenues to operating expenses, depreciation and interest expenses for some specified prior period would demonstrate whether the system's current rates require any further examination. A net income analysis would be much simpler to calculate and apply than the benchmark approach.
- To permit small operators to increase rates to the benchmark cap. The Commission has found that rates at or below the national cap are "reasonable." By affording small operators presently charging rates below the cap the option to increase rates to the cap, these systems will retain the flexibility needed to generate necessary capital.
- To authorize small operators to base rates on the bundling of service and equipment charges. The requirement that operators "back out" equipment costs based on "actual cost" from the benchmark rates is a particularly onerous procedural requirement. The Commission should adopt a mechanism that does not force small operators to engage in these calculations.

The Honorable James H. Quello
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- To allow small operators to pass-through rebuild costs. Small operators are generally located in rural areas. Congress and the Commission have long advocated special regulatory treatment to make state-of-the-art communications technology available to rural areas. Permitting small operators to pass-through rebuild costs will increase the chances that rural subscribers promptly gain the benefits of state-of-the-art technology.
- To clarify that the customer service requirements that do not require small operators maintain local offices in each service area community. The local office rule will prove exceptionally onerous for many small operators. Under the rule, a system serving several communities of perhaps 100 subscribers would be obligated to bear the costs of local offices in each community. Any benefits would be clearly outweighed by the costs.
- To commence a rulemaking addressing small system regulatory concerns. The Commission should comprehensively examine, in a separate proceeding, the impact of its regulations on small operators. This rulemaking should identify regulations which, when applied to small operators, are presumptively more harmful than beneficial. It should also discuss alternatives to benchmark regulations for small systems such as system profitability or level of net income. Small operators should be permitted to seek waivers of the identified regulations, with the burden placed on those who favor application of these regulations to the small operators.

I believe that taking these steps will enable small operators to serve their subscribers efficiently, while simultaneously maintaining the Act's consumer protection.

Sincerely,



TIM HOLDEN
Member of Congress

cc: The Honorable Stanley T. Singer